

STATE OF MAINE
OFFICE OF SECURITIES
121 STATE HOUSE STATION
AUGUSTA, ME 04333-0121

IN RE:

Stephen D. Pate

CONSENT ORDER
No. 11-7742

This is an order of the Securities Administrator issued under 32 M.R.S. § 16412 with the consent of Stephen D. Pate ("Pate")(CRD #2907170). Pate neither admits nor denies the Findings of Fact and Conclusions of Law set forth below, but agrees to the entry of this Consent Order, agrees that it shall have the same effect as an order issued after hearing, and waives his right to a hearing and to judicial review. Pate further agrees that he shall be precluded from disputing the Findings of Fact and Conclusions of Law as set forth herein in any other licensing proceeding in the State of Maine.

I. FINDINGS OF FACT

1. Pate is a resident of Old Orchard Beach, Maine. At all relevant times, Pate was licensed in Maine as an agent and investment adviser representative.
2. On or about February 24, 2009, Pate received a call from a Maine resident requesting that the mutual funds in his account be sold and moved to a money market account. Pate understood the sell instructions to include all accounts of the household including those of the Maine resident's wife. Pate asked him if his wife also wanted to sell. When Pate received an affirmative response, Pate states that he believed he had received an order from the Maine resident to sell out the Maine resident's wife's accounts and move the proceeds to a money market account as well.
3. At no time was the Maine resident authorized to direct transactions in his wife's account.
4. In October 2010, the wife of the Maine resident filed a complaint with the Office of Securities stating that she was unaware of the February 2009 transactions in her account, and an investigation was conducted.
5. Upon learning of the complaint, Pate's broker-dealer, Edward Jones (CRD #250), entered into an agreement with the Maine resident's wife whereby she was made whole.
6. As a result of the unauthorized trades, Edward Jones issued Pate a letter of warning, placed him on heightened supervision, required that he take training courses at his own expense, and required that he pay \$2,762.08 toward the \$28,410.96 settlement with the Maine resident's wife.

7. Subsequent to the incident described above, Edward Jones learned through its heightened supervision that Pate had effected a number of unauthorized securities transactions in the accounts of a Maine couple. In this instance, Pate had talked with the Maine couple to obtain their approval to make certain trades in their accounts and the couple agreed; however, Pate did not actually effect the trades until approximately one week later and did not have specific written authorization to effect the trades at that time.
8. Upon learning of the new violations, Edward Jones issued Pate a second letter of warning, required that he take additional courses, and fined him \$1,500.

II. CONCLUSIONS OF LAW

9. The Maine Uniform Securities Act grants authority to the Securities Administrator to take disciplinary action against a licensee if she determines that it is in the public interest and the licensee has engaged in unlawful, dishonest or unethical practices in the securities business. Under that authority, the Securities Administrator may "revoke, suspend, condition or limit the license of a licensee." She may also "censure, impose a bar on or impose a civil fine in an amount not to exceed a maximum of \$5,000 per violation on a licensee." 32 M.R.S. §§ 16412(1)-(4).
10. When Pate effected securities transactions as described in paragraph 2 and 7 above, Pate violated NASD Conduct Rule 2510, which states that "[n]o member or registered representative shall exercise any discretionary power in a customer's account unless such customer has given prior written authorization to a stated individual... ." The rule goes on to say that "the authority to exercise time and price discretion will be considered to be in effect only until the end of the business day on which the customer granted such discretion, absent a specific, written contrary indication signed and dated by the customer."
11. By effecting transactions that were not properly authorized, Pate "engaged in unlawful, dishonest or unethical practices in the securities" business, and thus is subject to disciplinary action by the Securities Administrator. 32 M.R.S. § 16412(4)(M); Maine Securities Rule Chapter 504 § 8(5); FINRA Rule 2010; NASD Rule 2510.
12. This Consent Order is in the public interest because it will protect Maine investors by deterring future misconduct by Pate and others and fostering public confidence in the securities industry.

ORDER

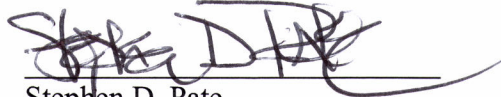
1. Pate is censured pursuant to 32 M.R.S. § 16412 (3).
2. Pate shall pay a civil fine of \$5,000. The fine is to be paid via check made payable to "Treasurer, State of Maine" and is due at the time Pate returns the Consent Order containing his signature to the Office of Securities. Failure to include payment in full with his signed copy of the Consent Order will suspend final execution of this Order by the Securities Administrator, at her discretion, until payment is received in full.

3. Pate shall attend a full-day of one-on-one compliance training provided by Edward Jones within two months from the signing of this Consent Order. The compliance training will follow a list of topics pre-approved by the Office.
4. Pate shall be subject to heightened supervision for a 2-year period beginning on the date this Consent Order is fully executed. Such heightened supervision shall include:
 - a. Pate's broker-dealer or investment adviser shall assign as Pate's supervisor an appropriately-licensed person approved in advance by the Office.
 - b. Pate shall not act in any principal, supervisory, or managerial capacity for a broker-dealer or investment adviser, other than the regular supervision of the activities of Pate's unlicensed branch office administrator whose responsibilities are to provide administrative support to Pate.
 - c. Pate will not exercise discretion in the account of any Maine resident.
 - d. After learning of any investigation or proceeding initiated by any regulatory body, or written or oral customer complaint against him arising out of activities in the securities, insurance, or finance industry, Pate shall immediately notify the Office of the investigation, proceeding, or complaint and within 15 days provide the Office with copies of any written, electronic or other materials in his possession involving the investigation, proceeding or complaint.
 - e. Pate's broker-dealer or investment adviser shall make at least 10 follow-up calls each calendar quarter to investors who have effected securities transactions in accounts handled by Pate. The calls shall be made to the investor, by an individual approved in advance by the Office, within 90 days from the date of the transaction to determine whether Pate is effecting unauthorized transactions or exercising unauthorized discretion.
5. Failure to adhere to the above restrictions will constitute grounds for the Securities Administrator to revoke Pate's license or take any other available action.
6. Except as set forth above, in reviewing any future application by Pate for licensure as an agent or investment adviser representative in Maine, the Securities Administrator agrees to take no action adverse to Pate based solely on the same conduct addressed in this Consent Order. However, nothing in this Consent Order shall preclude the Securities Administrator from: (a) taking adverse action based at least in part on other conduct; (b) taking this Consent Order and the conduct described above into account in determining the proper resolution of action based on other conduct; or (c) taking any and all available steps to enforce this Consent Order.

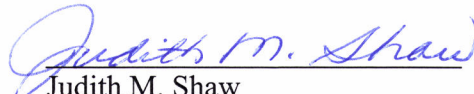
Pate, by signing below, neither admits nor denies the Findings of Facts and Conclusions of Law set forth above, but agrees to the entry of this Consent Order, agrees that it shall have the same effect as an order issued after hearing, waives his right to a hearing and to judicial review, and agrees that he

shall be precluded from disputing the Findings of Fact and Conclusions of Law as set forth herein in any other licensing proceeding in the State of Maine.

Date: January 11, 2012


Stephen D. Pate

Date: January 17, 2012


Judith M. Shaw
Securities Administrator